

**Macedon Ranges Shire Council
Financial Statements**

For the Year Ended 30 June 2020

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Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

John Hausler

Principal Accounting Officer

Date: XX September 2020

Kyneton

In our opinion the accompanying financial statements present fairly the financial transactions of Macedon Ranges Shire Council for the year ended 30 June 2020 and the financial position of Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Janet Pearce

Councillor (Mayor)

Date: XX September 2020

Kyneton

Natasha Gayfer

Councillor

Date: XX September 2020

Kyneton

Margot Stork

Chief Executive Officer

Date: XX September 2020

Kyneton

Independent Auditors Report

Report to be added once approval is given by the Victorian Auditor-General's Office (VAGO).

<INSERT VAGO REPORT - PAGE 1>

Independent Auditors Report

Report to be added once approval is given by the Victorian Auditor-General's Office (VAGO).

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Comprehensive Income Statement for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	50,750	48,703
Statutory fees and fines	3.2	4,274	4,733
User fees	3.3	5,688	7,043
Grants - operating	3.4	14,968	13,001
Grants - capital	3.4	7,956	6,624
Contributions - monetary	3.5	808	838
Contributions - non monetary	3.5	5,913	7,754
Fair value adjustments for investment property	6.4	(270)	3
Share of net profits of associates	6.3	57	22
Other income	3.7	2,224	2,745
Total income		<u>92,368</u>	<u>91,466</u>
Expenses			
Employee costs	4.1	34,374	32,417
Materials and services	4.2	26,063	23,018
Depreciation	4.3	13,968	13,958
Amortisation - intangible assets	4.4	198	307
Amortisation - right of use assets	4.5	327	-
Borrowing costs	4.6	321	409
Net loss on disposal of property, infrastructure, plant & equipment	3.6	182	623
Decrease in provision for landfill liability	5.5	(220)	(34)
Other expenses	4.5	3,416	3,016
Total expenses		<u>78,629</u>	<u>73,714</u>
Surplus for the year		<u>13,739</u>	<u>17,752</u>
Other comprehensive income			
<i>Items that will not be reclassified to surplus or deficit in future periods</i>			
Net asset revaluation increment/(decrement)	6.2	18,107	54,871
Total comprehensive result		<u>31,846</u>	<u>72,623</u>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	17,567	13,423
Trade and other receivables	5.1	6,271	4,503
Other financial assets	5.1	16,000	29,011
Right-of-use assets	5.8	357	-
Other assets	5.2	512	436
Total current assets		40,707	47,373
Non-current assets			
Other financial assets	5.1	21	21
Investments in associates	6.3	1,280	1,223
Property, infrastructure, plant and equipment	6.2	1,131,089	1,098,215
Right-of-use assets	5.8	939	-
Investment property	6.4	2,584	2,854
Intangible assets	5.2	632	433
Total non-current assets		1,136,545	1,102,746
Total assets		1,177,252	1,150,119
Liabilities			
Current liabilities			
Trade and other payables	5.3	7,508	8,783
Trust funds and deposits	5.3	3,072	3,401
Provisions	5.5	6,567	6,214
Interest-bearing loans and borrowings	5.4	485	4,685
Lease liabilities	5.8	381	-
Total current liabilities		18,013	23,083
Non-current liabilities			
Provisions	5.5	4,888	5,007
Interest-bearing loans and borrowings	5.4	4,023	4,508
Lease liabilities	5.8	961	-
Total non-current liabilities		9,872	9,515
Total liabilities		27,885	32,598
Net assets		1,149,367	1,117,521
Equity			
Accumulated surplus		653,364	637,170
Reserves	9.1	496,003	480,351
Total equity		1,149,367	1,117,521

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2020

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020					
Balance at beginning of the financial year		1,117,521	637,170	465,551	14,800
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	-			
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	-	-		
Impact of change in accounting policy - AASB 16 Leases	5.8	-	-		
Adjusted Opening balance		1,117,521	637,170	465,551	14,800
Surplus for the year		13,739	13,739	-	-
Net asset revaluation increment	9.1	18,107	-	18,107	-
Transfers to other reserves	9.1	-	(3,925)	-	3,925
Transfers from other reserves	9.1	-	6,380	-	(6,380)
Balance at end of the financial year		1,149,367	653,364	483,658	12,345

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2019					
Balance at beginning of the financial year		1,044,898	620,867	410,680	13,351
Surplus for the year		17,752	17,752	-	-
Net asset revaluation increment/(decrement)	9.1	54,871	-	54,871	-
Transfers to other reserves	9.1	-	(4,140)	-	4,140
Transfers from other reserves	9.1	-	2,691	-	(2,691)
Balance at end of the financial year		1,117,521	637,170	465,551	14,800

The above statement of changes in equity should be read with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		50,035	48,537
Statutory fees and fines		4,274	4,733
User fees		4,328	7,016
Grants - operating		14,968	13,997
Grants - capital		7,956	6,758
Contributions - monetary		808	1,502
Interest received		563	832
Trust funds and deposits taken		(494)	2,413
Other receipts		1,241	2,622
Net GST refund		-	3,791
Employee costs		(33,097)	(32,730)
Materials and services		(27,431)	(22,922)
Trust funds and deposits repaid		-	(2,087)
Other payments		(3,585)	(7,542)
Net cash provided by operating activities	9.2	19,566	26,920
Cash flows from investing activities			
Net (increase)/decrease in other financial assets		13,011	(5,011)
Payments for property, infrastructure, plant and equipment		(23,807)	(21,434)
Proceeds from sale of property, infrastructure, plant and equipment		404	922
Net cash used in investing activities		(10,392)	(25,523)
Cash flows from financing activities			
Finance costs		(345)	(408)
Proceeds from borrowings		-	-
Repayment of borrowings		(4,685)	(594)
Interest paid - lease liability			
Repayment of lease liabilities			
Net cash used in financing activities		(5,030)	(1,002)
Net increase in cash and cash equivalents		4,144	395
Cash and cash equivalents at the beginning of the financial year		13,423	13,028
Cash and cash equivalents at the end of the financial year	5.1(a)	17,567	13,423
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

The above statement of cash flows should be read with the accompanying notes.

Statement of Capital Works for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Property			
Buildings and building improvements		5,037	6,743
Land and land improvements			46
Total property		<u>5,037</u>	<u>6,789</u>
Plant and equipment			
Plant, machinery and equipment		1,942	2,737
Fixtures, fittings and furniture		94	47
Computers and telecommunications		689	388
Total plant and equipment		<u>2,725</u>	<u>3,172</u>
Infrastructure			
Roads		9,189	6,776
Bridges		361	713
Footpaths and cycleways		1,308	1,078
Drainage		673	529
Recreational, leisure and community facilities		2,441	1,478
Parks, open space and streetscapes		901	600
Other infrastructure		1,349	1,470
Total infrastructure		<u>16,222</u>	<u>12,644</u>
Total capital works expenditure		<u>23,984</u>	<u>22,605</u>
Represented by:			
New asset expenditure		2,368	3,663
Asset renewal expenditure		13,834	12,524
Asset upgrade expenditure		7,782	6,418
Total capital works expenditure		<u>23,984</u>	<u>22,605</u>

The above statement of capital works should be read with the accompanying notes.

Notes to the Financial Report for the year ended 30 June 2020

Overview

Introduction

Macedon Ranges Shire Council (Council) was constituted in January 1995 following the amalgamation of the former Shires of Gisborne, Romsey, Newham and Woodend, and Kyneton. The Council's main office is located at 129 Mollison Street Kyneton, Victoria.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant accounting policies

Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

Impact of COVID 19 pandemic on Council operations and 2019/20 financial report

On 30 January 2020, COVID 19 was declared as a global pandemic by World Health Organisation. Since then, various measures are being taken by all three levels of government in Australia to reduce the spread of COVID 19. This crisis and measures taken to mitigate it has impacted Council operations in the following areas for the financial year ended 30 June 2020.

In response to Victorian Government directive amidst the COVID 19 outbreak, the aquatic, leisure centres and community centres were closed. These closures resulted in a decrease in the user fee revenue by \$1.15m and also decreased associated expenses by \$0.66m.

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a budget variation materiality threshold of 10% and \$100,000. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its size or nature.

The budget figures detailed below are those adopted by Council on 26 June 2019 and were based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

Note 1 Performance against budget (cont.)

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	%	Ref
Income					
Rates and charges	50,600	50,750	150	0%	
Statutory fees and fines	4,035	4,274	239	6%	
User fees	7,253	5,688	(1,565)	-22%	1
Grants - operating	11,756	14,968	3,212	27%	2
Grants - capital	8,304	7,956	(348)	-4%	3
Contributions - monetary	680	808	128	19%	4
Contributions - non monetary	8,700	5,913	(2,787)	-32%	5
Fair value adjustments for investment property	-	(270)	(270)	100%	6
Share of net profits/(losses) of associates	-	57	57	100%	
Other income	2,113	2,224	111	5%	
Total income	93,441	92,368	(1,073)	-1%	
Expenses					
Employee costs	34,706	34,374	(332)	-1%	
Materials and services	23,275	26,063	2,788	12%	7
Depreciation	13,972	13,968	(4)	0%	
Amortisation - intangible assets	200	198	(2)	-1%	
Amortisation - right of use assets	360	327	(33)	-9%	
Borrowing costs	259	321	62	24%	8
Net (gain)/loss on disposal of property, infrastructure, plant & equipment	-	182	182	100%	9
Increase/(decrease) in provision for landfill liability	-	(220)	(220)	100%	10
Other expenses	3,122	3,416	294	9%	
Total expenses	75,894	78,629	2,735	4%	
Surplus for the year	17,547	13,739	(3,808)	-22%	

(i) Explanation of material variations

Ref	Item	Explanation
1	User fees	User fees 22% under budget due mainly to the closure of facilities from March to June as a response to Covid-19.
2	Grants - operating	Operating grants 28% above budget due mainly to the Grants Commission paying 50% of the 2020/21 grants up front in 2019/20 and the receipt of the unbudgeted grant for Working for Victoria.
3	Grants - capital	Capital grants 10% below budget due to the delay in delivery of projects.
4	Contributions - monetary	Monetary contributions were higher than anticipated due to unbudgeted capital contributions to projects.
5	Contributions - non monetary	Non monetary contribution are dependent on development.
6	Fair value adjustments for investment property	Reduction in value of investment properties taking into account leases and rental outlook.
7	Materials and Services	The major differences were additional costs associated with FOGO, glass, disposal of waste (\$1.1m), emergencies (\$414k) and building maintenance (\$589k).
8	Borrowing costs	Due to delays in project deliver the borrowings budgeted for in 2019/20 have not as yet been drawn down.
9	Net (gain)/loss on disposal of property, infrastructure, plant & equipment	Some Footpaths and Kerbs were written off when they were replaced increasing the amount of loss on disposal for the year.
10	Increase/(decrease) in provision for landfill liability	This provision decrease is the result of a net present value calculation at the end of the year based on the future costs of rehabilitating closed landfill sites.

Note 1 Performance against budget (cont.)

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	%	Ref
Property					
Buildings and building improvements	4,516	5,037	521	12%	1
Total property	4,516	5,037	521	12%	
Plant and equipment					
Plant, machinery and equipment	1,863	1,942	79	4%	
Fixtures, fittings and furniture	-	94	94	100%	
Computers and telecommunications	417	689	272	65%	2
Total plant and equipment	2,280	2,725	445	20%	
Infrastructure					
Roads	8,837	9,189	352	4%	
Bridges	960	361	(599)	-62%	3
Footpaths and cycleways	1,318	1,308	(10)	-1%	
Drainage	876	673	(203)	-23%	4
Recreational, leisure and community facilities	1,817	2,441	624	34%	5
Parks, open space and streetscapes	1,612	901	(711)	-44%	6
Other infrastructure	838	1,349	511	61%	7
Total infrastructure	16,258	16,222	(36)	0%	
Total capital works expenditure	23,054	23,984	930	4%	
New asset expenditure	4,488	2,368	(2,120)	-47%	
Asset renewal expenditure	14,215	13,834	(381)	-3%	
Asset upgrade expenditure	4,351	7,782	3,431	79%	
Total capital works expenditure	23,054	23,984	930	4%	

(i) Explanation of material variations

Ref	Item	Explanation
1	Building and building improvements	Several grant funded projects delivered during 2019/20 were not included in original budget.
2	Computers and telecommunications	Additional computers and related equipment required due to Working for Victoria and Covid-19 working from home.
3	Bridges	A bridge identified to have minor replacement has been deferred following inspection which found total replacement required.
4	Drainage	One drainage project was incomplete and will be completed in July 2020.
5	Recreational, leisure and community facilities	Several 2018/19 projects which were in progress at June 2019 were completed in the 2019/20 year, including Tony Clarke lighting and Barkly Square lighting.
6	Parks, open space and streetscapes	The main budget variance was the Healthy heart of Victoria project (budget \$540k) will be completed in 2020/21, with \$488k to be carried forward.
7	Other infrastructure	Expenditure greater than budget due to an unbudgeted grant received for the purchase of glass bins.

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following directorate areas. Each directorate is led by a director who reports through to the Chief Executive Officer (CEO), with the exception of the CEO group which reports directly through to the CEO.

Assets & Operations

The responsibilities of the Assets and Operations directorate include the maintenance of Council roads, footpaths, bridges, drains, parks, buildings, kerbside bin collection, transfer stations, local laws, asset management, environmental health, emergency management and engineering.

CEO Group

The CEO group includes human resources, risk management, health and safety, insurance, communications, the CEO's administrative support and the major projects office.

Community Wellbeing

The Community Wellbeing directorate is responsible for recreation and sport, Hanging Rock, aquatic and leisure, kindergartens, maternal and child health, community support, healthy ageing, youth services, community development, arts and culture, and libraries.

Corporate Services

Corporate Services is responsible for governance, customer services, information technology, finance services, property management, rates, contracts and tendering.

Planning & Environment

The responsibilities of the Planning and Environment directorate include strategic planning, environment and conservation services, statutory planning, building services and economic development and tourism.

2.1 Summary of revenues, expenses, assets and capital expenses by program

	Income \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
2020					
Assets & Operations	24,576	37,235	(12,659)	7,040	578,684
Chief Executive	700	4,152	(3,452)	426	-
Community Wellbeing	14,343	20,883	(6,540)	9,280	82,065
Corporate and Community	49,639	8,887	40,752	5,942	516,503
Planning & Environment	3,110	7,472	(4,362)	236	-
	92,368	78,629	13,739	22,924	1,177,252

	Income \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
2019					
Assets & Operations	24,199	34,898	(10,699)	4,730	566,785
Chief Executive	91	3,021	(2,930)	-	-
Community Wellbeing	14,102	19,855	(5,753)	7,498	80,254
Corporate and Community	49,723	8,920	40,803	7,029	503,080
Planning & Environment	3,351	7,020	(3,669)	368	-
	91,466	73,714	17,752	19,625	1,150,119

Note 3 Funding for the delivery of our services

3.1 Rates and charges

	2020 \$'000	2019 \$'000
General rates	32,816	31,177
Agricultural land rates	2,241	2,289
Commercial/industrial rates	2,182	2,155
Municipal charge	4,824	4,767
Waste management charge	7,955	7,533
Supplementary rates and rate adjustments	489	483
Other rates	71	72
Interest on rates	172	227
Total rates and charges	50,750	48,703

Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is its estimated market value at the date of valuation. The valuation base used to calculate general rates for 2019/20 was \$15,201 million (2018/19 \$13,635 million). The 2019/20 general rate in the capital improved value dollar was \$0.00224765 (2018/19, \$0.002643).

The date of the general revaluation of land for rating purposes within the municipal district was 1 January 2019, and the valuation was first applied in the rating year commencing 1 July 2019. Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

	2020 \$'000	2019 \$'000
Animal control fees	658	664
Infringements and costs	138	179
Permits	1,214	1,133
Roads and infrastructure fees	1,800	2,292
Town planning fees	226	229
Other statutory fees	238	236
Total statutory fees and fines	4,274	4,733

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the payment is received.

3.3 User fees

	2020 \$'000	2019 \$'000
Aged and health services	171	171
Child care/children's programs	615	972
Cultural activities	168	174
Gravel pit sales	102	162
Hanging Rock Reserve fees	611	661
Leisure centre and recreation	2,544	3,564
Saleyards	324	298
Waste management services	752	681
Other fees and charges	401	360
Total user fees	5,688	7,043

User fees are recognised as revenue when the service has been provided or council has otherwise earned the income. Prior year disclosure has been adjusted to align with updated classifications.

Note 3 Funding for the delivery of our services (cont.)

3.4 Funding from other levels of government

	2020 \$'000	2019 \$'000
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	14,228	10,832
State funded grants	8,696	8,793
Total grants received	22,924	19,625
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Aged and disability services	1,582	1,670
Financial Assistance Grants	5,748	5,693
<i>Recurrent - State Government</i>		
Aged and disability services	260	155
Family and children	2,939	2,653
Maternal and child health	514	486
School crossing supervisors	117	115
Youth and culture	116	116
Other	102	71
Total recurrent operating grants	11,378	10,959
<i>Non-recurrent - Commonwealth Government</i>		
Planning & Environment	26	100
Recreational, leisure and community facilities	1,838	-
<i>Non-recurrent - State Government</i>		
Aged and disability Services	30	128
Emergency management	120	1,413
Maternal and child health	10	60
Planning and Environment	12	224
Recreational, leisure and community facilities	33	103
Youth and culture	14	(114)
Other	1,507	128
Total non-recurrent operating grants	3,590	2,042
Total operating grants	14,968	13,001
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to Recovery	1,691	953
Financial Assistance Grants	2,433	2,316
Total recurrent capital grants	4,124	3,269
<i>Non-recurrent - Commonwealth Government</i>		
Parks, open space and streetscapes	-	100
Roads and bridges	910	-
<i>Non-recurrent - State Government</i>		
Buildings	975	1,048
Footpaths and cycleways	45	50
Parks, open space and streetscapes	657	448
Recreational, leisure and community facilities	72	769
Roads and bridges	1,173	831
Other	-	109
Total non-recurrent capital grants	3,832	3,355
Total capital grants	7,956	6,624

Note 3 Funding for the delivery of our services (cont.)

3.4 Funding from other levels of government (cont.)

	2020	2019
	\$'000	\$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	2,036	1,597
Received during the financial year and remained unspent at balance date	190	1,713
Received in prior years and spent during the financial year	(1,713)	(1,274)
Balance at year end	513	2,036

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

3.5 Contributions

	2020	2019
	\$'000	\$'000
Monetary	808	838
Non-monetary	5,913	7,754
Total contributions	6,721	8,592

Contributions of non monetary assets were received in relation to the following asset classes:

Land	685	-
Land under roads	1,185	1,753
Infrastructure	4,043	6,001
Cultural assets	-	-
Total non-monetary	5,913	7,754

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2020	2019
	\$'000	\$'000
Proceeds of sale	404	922
Written down value of assets disposed	(586)	(1,545)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(182)	(623)

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

3.7 Other income

	2020	2019
	\$'000	\$'000
Commission	107	124
Interest on investments	528	797
Insurance recoveries	296	108
Investment property rental	497	497
Merchandise and material sales	432	468
Reimbursement of valuation costs	-	317
Other	364	434
Total other income	2,224	2,745

Interest is recognised as it is earned. Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Note 4 The cost of delivering services

4.1 Employee costs

	2020	2019
	\$'000	\$'000
Wages and salaries	28,311	25,945
Casual staff	2,740	3,017
Superannuation	2,737	2,627
WorkCover	312	499
Fringe benefits tax	274	329
Total employee costs	34,374	32,417

(a) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	87	98
Employer contributions payable at reporting date	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,378	1,514
Employer contributions - other funds	1,268	1,013
	2,646	2,527
Employer contributions payable at reporting date	100	96

Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

	2020	2019
	\$'000	\$'000
Administration	1,390	1,668
Building maintenance	1,093	1,055
Consultants	2,274	2,137
Contract payments - Parks Maintenance	1,713	1,343
Contract payments - Resource Recovery	6,989	5,737
Contract payments - Other	5,944	4,851
General maintenance	509	585
Information technology	1,013	744
Insurance	613	547
Materials and supplies	2,239	2,123
Utilities	2,286	2,228
Total materials and services	26,063	23,018

4.3 Depreciation

	2020	2019
	\$'000	\$'000
Land and buildings	1,990	1,863
Plant and equipment	1,484	1,486
Infrastructure	10,494	10,609
Total depreciation	13,968	13,958

Refer to note 5.2(b) and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - intangible assets

	2020	2019
	\$'000	\$'000
Software	198	307
Total amortisation	198	307

Borrowing costs are recognised as an expense in the period in which they are incurred.

Note 4 The cost of delivering services (cont.)

4.5 Amortisation - right of use assets

	2020	2019
	\$'000	\$'000
Right of use assets	327	-
Total amortisation	327	-

Refer to note 5.2(b) and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.6 Borrowing costs

	2020	2019
	\$'000	\$'000
Interest - borrowings	267	409
Interest - right of use assets	54	-
Total borrowing costs	321	409

Borrowing costs are recognised as an expense in the period in which they are incurred.

Note 4 The cost of delivering services (cont.)

4.7 Other expenses

	2020	2019
	\$'000	\$'000
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	50	40
Auditors' remuneration - Internal	50	65
Bad and doubtful debts	11	(15)
Contributions and donations	2,686	1,747
Councillors' allowances	312	309
Operating lease rentals	115	670
Other expenses	192	200
Total other expenses	<u>3,416</u>	<u>3,016</u>

Note 5 Our financial position

5.1 Financial assets

	2020	2019
	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	9	12
Cash at bank	8,869	9,730
Money market call accounts	2,689	2,681
Term deposits	6,000	1,000
Total cash and cash equivalents	<u>17,567</u>	<u>13,423</u>
(b) Other financial assets		
Term deposits - current	16,000	29,011
Shares in Lancefield Community Bank - at fair value	12	12
Shares in Gisborne Community Bank - at fair value	9	9
Total other financial assets	<u>16,021</u>	<u>29,032</u>
Total financial assets	<u>33,588</u>	<u>42,455</u>

Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3)	2,497	2,991
- Lancefield tip assurance bank account	-	497
Total restricted funds	<u>2,497</u>	<u>3,488</u>
Total unrestricted cash and cash equivalents	<u>15,070</u>	<u>9,935</u>

Intended allocations

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Cash held to fund carried forward capital works	9,228	7,132
- Cash held for statutory reserves (Note 9.1)	6,376	5,410
- Cash held for non-statutory reserves (Note 9.1)	5,968	9,390
Total funds subject to intended allocations	<u>21,572</u>	<u>21,932</u>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Cash held in statutory reserves have some restrictions on how the funds can be spent but there is limited restrictions on the timing of expenditure so these funds are classified under intended allocations.

Note 5 Our financial position (cont.)

5.1 Financial assets (cont.)

	2020 \$'000	2019 \$'000
(c) Trade and other receivables		
<i>Statutory receivables</i>		
Rates debtors	3,625	2,745
Net GST receivable	648	543
<i>Non statutory receivables</i>		
Other debtors	1,394	1,031
Accrued income	564	109
Accrued interest income	73	108
Provision for doubtful debts - other debtors	(33)	(33)
Total trade and other receivables	6,271	4,503

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred.

i) Ageing of other debtors

The ageing of the Council's other receivables was:

Current (not yet due)	213	736
Past due by up to 30 days	829	167
Past due between 31 and 180 days	191	75
Past due between 181 and 365 days	104	17
Past due by more than 1 year	57	36
Total other debtors	1,394	1,031

5.2 Non-financial assets

	2020 \$'000	2019 \$'000
(a) Other assets		
Prepayments	512	436
Total other assets	512	436
(b) Intangible assets - software		
Opening carrying amount	2,460	2,483
Additions	397	178
Disposals	-	(201)
Closing carrying amount	2,857	2,460
Opening accumulated amortisation	(2,027)	(1,913)
Amortisation expense	(198)	(307)
Disposals - accumulated Amortisation	-	193
Closing accumulated amortisation	(2,225)	(2,027)
Net intangible assets	632	433

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

Note 5 Our financial position (cont.)

5.3 Payables

	2020 \$'000	2019 \$'000
(a) Trade and other payables		
Trade payables	4,175	5,182
Accrued general expenses	1,092	993
Accrued payroll expense	1,489	968
Accrued interest expense	3	27
Prepaid income	427	1,413
Other payables	322	200
Total trade and other payables	<u>7,508</u>	<u>8,783</u>
(b) Trust funds and deposits		
Fire services levy	575	410
Trust funds and deposits	2,497	2,991
Total trust funds and deposits	<u>3,072</u>	<u>3,401</u>
(c) Unearned income		
Grants received in advance - operating	3,626	3,137
Grants received in advance - capital	1,786	2,348
Total unearned income	<u>5,412</u>	<u>5,485</u>

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

5.4 Interest-bearing liabilities

	2020 \$'000	2019 \$'000
Current borrowings - secured	485	4,685
Non-current borrowings - secured	4,023	4,508
Total interest-bearing loans and borrowings	<u>4,508</u>	<u>9,193</u>

The borrowings are secured by a charge over the rates of Council.

a) The maturity profile for Council's borrowings is:

Not later than one year	485	4,685
Later than one year and not later than five years	4,023	1,415
Later than five years	-	3,093
Total interest-bearing loans and borrowings	<u>4,508</u>	<u>9,193</u>

Borrowings are measured at fair value, being the cost of the interest bearing liabilities. Council determines the classification of its interest bearing liabilities at initial recognition.

Note 5 Our financial position (cont.)

5.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
2020			
Balance at beginning of the financial year	6,555	4,666	11,221
Additional provisions	2,682	(276)	2,406
Amounts used	(2,135)	(180)	(2,315)
Increase/(decrease) in the discounted amount arising because of time and the effect of any change in the discount rate	87	56	143
Balance at the end of the financial year	7,189	4,266	11,455
2019			
Balance at beginning of the financial year	6,878	5,243	12,121
Additional provisions	2,660	(466)	2,194
Amounts used	(3,225)	(543)	(3,768)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	242	432	674
Balance at the end of the financial year	6,555	4,666	11,221
		2020	2019
		\$'000	\$'000
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave		2,023	1,682
Long service leave		1,995	1,818
		<u>4,018</u>	<u>3,500</u>
Current provisions expected to be wholly settled after 12 months			
Annual leave		38	32
Long service leave		2,115	2,247
		<u>2,153</u>	<u>2,279</u>
Total current provisions		<u>6,171</u>	<u>5,779</u>
Non-current			
Long service leave		1,018	776
Total non-current provisions		<u>1,018</u>	<u>776</u>
Aggregate carrying amount of employee provisions:			
Current		6,171	5,779
Non-current		1,018	776
Total aggregate carrying amount of employee provisions		<u>7,189</u>	<u>6,555</u>

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave - Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:

- discount rate	0.70%	1.22%
- index rate	4.25%	4.31%

Note 5 Our financial position (cont.)

5.5 Provisions (cont.)

	2020	2019
	\$'000	\$'000
(b) Landfill restoration		
Current	396	435
Non-current	3,870	4,231
Total landfill restoration	4,266	4,666

Council is obligated to restore three landfill sites in Bullengarook, Kyneton and Lancefield to a particular standard. All three landfill sites are closed and are not receiving any further infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on the current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:

- discount rate	1.32%	1.32%
- index rate	2.00%	2.00%

5.6 Financing arrangements

	2020	2019
	\$'000	\$'000
Credit card facilities	100	100
Used facilities	(6)	(12)
Unused facilities	94	88

Note 5 Our financial position (cont.)

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
2020					
Operating					
Animal pound services	190	195	200	-	585
Cleaning contracts	725	600	250	-	1,575
Consultancies	95	-	-	-	95
Housing management	58	38	-	-	96
Landfill services	437	-	-	-	437
Roadside maintenance	103	-	-	-	103
Security Services	38	-	-	-	38
Software support	226	226	89	-	541
Waste Collection	5,423	5,505	11,286	-	22,214
Total	7,295	6,564	11,825	-	25,684
Capital					
Buildings	1,793	-	-	-	1,793
Roads	1,480	-	-	-	1,480
Bridges	58	-	-	-	58
Recreational, leisure and community	1,372	110	126	-	1,608
Total	4,703	110	126	-	4,939
2019					
Operating					
Animal pound services	185	190	395	-	770
Cleaning contracts	561	568	1,207	-	2,336
Consultancies	82	-	-	-	82
Landfill services	109	109	38	-	256
Roadside maintenance	725	399	-	-	1,124
Housing management	96	-	-	-	96
Security Services	38	38	-	-	76
Software support	261	226	314	-	801
Waste Collection	2,669	2,710	8,388	-	13,767
Total	4,726	4,240	10,342	-	19,308
Capital					
Buildings	503	-	-	-	503
Roads	1,463	1,463	-	-	2,926
Recreational, leisure and community	144	-	-	-	144
Total	2,110	1,463	-	-	3,573

Note 5 Our financial position (cont.)

5.7 Commitments (cont.)

	2020 \$'000	2019 \$'000
(a) Operating lease commitments		
At the reporting date, Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	381	338
Later than one year and not later than five years	1,343	1,126
Later than five years	-	-
Total operating lease commitments	1,724	1,464

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred. The lease commitments are reducing due to the decision to purchase vehicles rather than leasing at the end of their lease contracts.

(b) Operating lease receivables

Council has entered into commercial property leases on its investment property. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	88	92
Later than one year and not later than five years	289	292
Later than five years	142	141
Total operating lease receivables	519	525

5.8 Leases

Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Policy applicable after 1 July 2019

Council has applied AASB 16 Leases using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

Note 5 Our financial position (cont.)

5.8 Leases (cont.)

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Note 5 Our financial position (cont.)

5.8 Leases (cont.)

	Property \$'000	Equipment \$'000	Total \$'000
Right-of-Use Assets			
Balance at 1 July 2019	1,459		1,459
Additions	-	165	165
Amortisation charge	(325)	(3)	(328)
Balance at 30 June 2020	1,134	162	1,296

	2020 \$'000
Lease Liabilities	
<i>Maturity analysis - contractual undiscounted cash flows</i>	
Less than one year	381
One to five years	961
More than five years	-
Total undiscounted lease liabilities as at 30 June:	1,342

*Lease liabilities included in the
Balance Sheet at 30 June:*

Current	381
Non-current	961
Total lease liabilities	1,342

Note 5 Our financial position (cont.)

5.8 Leases (cont.)

i. Leases classified as operating leases under *AASB 117 Leases*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying *AASB 16 Leases* to leases previously classified as operating leases under *AASB 117 Leases*.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under *AASB 117 Leases*, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under *AASB 117 Leases* immediately before that date.

Council is not required to make any adjustments on transition to *AASB 16 Leases* for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with *AASB 16 Leases* from the date of initial application.

Impact on financial statements

On transition to *AASB 16 Leases*, Council recognised an additional \$1,459k of right-of-use assets and \$1,459k of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 4%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	1,464
Discounted using the incremental borrowing rate at 1 July 2019	465
Finance lease liability recognised as at 30 June 2019	<u>1,929</u>

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

	2020	2019
	\$'000	\$'000
Balance at beginning of period	-	76
add/(less) sales/transfers	-	(76)
add reversal of previous revaluation increment	-	-
add/(less) fair value adjustment	-	-
Total non current assets classified as held for resale	-	-

Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification. Council has not identified any assets to be classified as held for sale at 30 June 2020.

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	At Fair Value 30 June 2020 \$'000
Land	450,020	87	1,870	17,380	(172)	-	-	469,185
Buildings	86,085	4,613	-	4,748	(1,817)	-	-	93,629
Plant and equipment	10,718	2,469	-	-	(1,484)	(516)	-	11,187
Infrastructure	542,340	12,404	4,043	(4,021)	(10,495)	(12)	-	544,259
Work in progress	9,052	(19,573)	-	-	-	-	23,350	12,829
Total property, infrastructure, plant and equipment	1,098,215	-	5,913	18,107	(13,968)	(528)	23,350	1,131,089

Summary of Work In Progress (WIP)

	Opening WIP \$'000	Additions \$'000	Transfers to assets \$'000	Write offs \$'000	Closing WIP \$'000
Buildings	3,936	(4,700)	5,008	-	4,244
Plant and equipment	-	(2,469)	2,469	-	-
Infrastructure	5,116	(12,404)	15,873	-	8,585
Total Work In Progress	9,052	(19,573)	23,350	-	12,829

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment (cont.)

(a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Land improvements \$'000	Total land and land improvements \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Total buildings \$'000	Work In Progress \$'000	Total property \$'000
At fair value 1 July 2019	371,647	80,163	594	452,404	41,106	48,295	89,401	3,936	545,741
Accumulated depreciation at 1 July 2019	(2,384)	-	-	(2,384)	(1,529)	(1,787)	(3,316)	-	(5,700)
	369,263	80,163	594	450,020	39,577	46,508	86,085	3,936	540,041
Movements in fair value									
Additions	-	-	87	87	2,313	2,300	4,613	(4,700)	-
Contributions	1,185	685	-	1,870	-	-	-	-	1,870
Revaluation	14,307	3,073	-	17,380	2,767	(3,152)	(385)	-	16,995
Transfers	-	-	-	-	-	-	-	5,008	5,008
	15,492	3,758	87	19,337	5,080	(852)	4,228	308	23,873
Movements in accumulated depreciation									
Depreciation and amortisation	(172)	-	-	(172)	(848)	(969)	(1,817)	-	(1,989)
Revaluation	-	-	-	-	2,377	2,756	5,133	-	5,133
	(172)	-	-	(172)	1,529	1,787	3,316	-	3,144
At fair value 30 June 2020	387,139	83,921	681	471,741	46,186	47,443	93,629	4,244	569,614
Accumulated depreciation at 30 June 2020	(2,556)	-	-	(2,556)	-	-	-	-	(2,556)
	384,583	83,921	681	469,185	46,186	47,443	93,629	4,244	567,058

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment (cont.)

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Cultural assets \$'000	Work In Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2019	11,107	1,341	1,934	2,628	-	17,010
Accumulated depreciation at 1 July 2019	(4,173)	(640)	(1,479)	-	-	(6,292)
	6,934	701	455	2,628	-	10,718
Movements in fair value						
Additions	2,076	94	289	10	(2,469)	-
Disposal	(1,185)	-	-	-	-	(1,185)
Transfers	-	-	-	-	2,469	2,469
	891	94	289	10	-	1,284
Movements in accumulated depreciation						
Depreciation and amortisation	(1,100)	(136)	(248)	-	-	(1,484)
Accumulated depreciation of disposals	669	-	-	-	-	669
	(431)	(136)	(248)	-	-	(815)
At fair value 30 June 2020	11,998	1,435	2,223	2,638	-	18,294
Accumulated depreciation at 30 June 2020	(4,604)	(776)	(1,727)	-	-	(7,107)
	7,394	659	496	2,638	-	11,187

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment (cont.)

(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Recreational, leisure and community \$'000	Parks open spaces and streetscapes \$'000	Other infrastructure \$'000	Work In Progress \$'000	Total infrastructure \$'000
At fair value 1 July 2019	544,027	46,798	30,115	71,674	31,558	2,828	4,404	5,116	736,520
Accumulated depreciation at 1 July 2019	(138,183)	(15,993)	(7,452)	(16,624)	(8,982)	(1,062)	(768)	-	(189,064)
	405,844	30,805	22,663	55,050	22,576	1,766	3,636	5,116	547,456
Movements in fair value									
Additions	7,943	639	1,183	639	1,094	-	906	(12,404)	-
Contributions	1,442	959	781	850	11	-	-	-	4,043
Revaluation	(2,298)	-	684	1,663	-	-	-	-	49
Write-off	-	(14)	(2)	(9)	-	-	-	-	(25)
Transfers	-	-	-	-	-	-	-	15,873	15,873
	7,087	1,584	2,646	3,143	1,105	-	906	3,469	19,940
Movements in accumulated depreciation									
Depreciation and amortisation	(7,124)	(477)	(629)	(739)	(1,058)	(211)	(257)	-	(10,495)
Accumulated depreciation of disposals	-	10	1	2	-	-	-	-	13
Revaluation increments/decrements	(1,348)	-	(2,070)	(652)	-	-	-	-	(4,070)
	(8,472)	(467)	(2,698)	(1,389)	(1,058)	(211)	(257)	-	(14,552)
At fair value 30 June 2020	551,114	48,382	32,761	74,817	32,663	2,828	5,310	8,585	756,460
Accumulated depreciation at 30 June 2020	(146,655)	(16,460)	(10,150)	(18,013)	(10,040)	(1,273)	(1,025)	-	(203,616)
	404,459	31,922	22,611	56,804	22,623	1,555	4,285	8,585	552,844

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment (cont.)

(d) Property, infrastructure, plant and equipment accounting policies

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Where assets are constructed by Council, cost includes all materials used in construction, direct labour, and an appropriate share of directly attributable variable and fixed overheads. In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Land and land improvements		
land	-	10
land improvements	-	10
landfill	30 years	10
Buildings		
heritage buildings	50 years	10
buildings	50 years	10
building improvements	50 years	10
leasehold improvements	50 years	10
Plant and equipment		
plant, machinery and equipment	3 - 26 years	2.5
fixtures, fittings and furniture	5 - 20 years	2.5
computers and telecommunications	3 - 5 years	2.5
Infrastructure		
road pavement - spray seal	18 years	10
road pavement - asphalt	35 years	10
road pavement - sealed pavement	60 - 90 years	10
road pavement - sealed sub-pavement	-	10
road pavements - unsealed roads	20 - 25 years	10
road formation and earthworks	-	10
road kerb, channel	50 - 150 years	10
bridges and major culvers	70 - 200 years	10
footbridges	30 - 100 years	10
footpaths and cycleways	15 - 60 years	10
drainage	100 years	10
recreational, leisure and community facilities	10 - 50 years	10
parks, open space and streetscapes	10 - 15 years	10
other infrastructure	10 - 50 years	10
Intangible assets		
intangible assets	3 - 5 years	10

Land under roads

Council recognises land under roads it controls at fair value.

Changes to asset lives

As part of the annual review of infrastructure assets some lives of assets have been amended. The assets which were amended were a minority of assets by number and value.

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment (cont.)

(d) Property, infrastructure, plant and equipment accounting policies (cont.)

Depreciation and amortisation

Buildings, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually. Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component. Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year. Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Valuation of land and buildings

Valuation of land and buildings were undertaken by qualified valuer, Hayley Drummond AAPI, Municipal Valuer. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement. See section 8.4 for description of fair value measurement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows.

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	Valuation
Land - non-specialised	-	83,921	-	Jun-20
Land - specialised	-	-	384,583	Jun-20
Land Improvements			681	
Buildings - non-specialised	-	47,443	-	Jun-20
Buildings - specialised	-	-	46,186	Jun-20
Total	-	131,364	431,450	

Note 6 Assets we manage (cont.)

6.2 Property, infrastructure, plant and equipment (cont.)

(d) Property, infrastructure, plant and equipment accounting policies (cont.)

Valuation of infrastructure

Valuation of infrastructure assets has been determined utilising internal resources and expertise. The date of the current valuation is detailed in the following table. The valuation is at fair value (see section 8.4 for fair value measurement) based on replacement cost less accumulated depreciation as at the date of valuation. Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads	-	-	404,459	Jun-19
Bridges	-	-	31,922	Sep-15
Footpaths and cycleways	-	-	22,611	Jun-20
Drainage	-	-	56,804	Jun-20
Recreational, leisure and community facilities	-	-	22,623	Apr-16
Parks, open space and streetscapes	-	-	1,555	Apr-16
Other infrastructure	-	-	4,285	Apr-16
Total			544,259	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values of up to 85%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1.29 (Land under Roads Rural-Low) and \$890 (central Kyneton prime business land) per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$1,100 to \$2,200 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 40 years to 60 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	2020 \$'000	2019 \$'000
Land under roads	350,783	336,507
Landfill	2,621	2,794
Other	31,179	29,962
Total specialised land	384,583	369,263

6.3 Investments in associates

	2020	2019
--	------	------

Council has one investment in an associate which is the North Central Goldfields Library Corporation. The equity holders in the North Central Goldfields Library Corporation and their relevant holdings are:

Macedon Ranges Shire Council	23.06%	22.86%
Greater Bendigo City Council	61.11%	61.18%
Loddon Shire Council	4.96%	5.04%
Mount Alexander Shire Council	10.87%	10.92%

Note 6 Assets we manage (cont.)

6.3 Investments in associates (cont.)

	2020 \$'000	2019 \$'000
Fair value of Council's investment in North Central Goldfields Library Corporation	1,280	1,223
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus(deficit) at start of year	374	364
Reported surplus(deficit) for year	46	11
Transfers (to) from reserves	(3)	(5)
Adjustment arising from change to equity share	4	4
Council's share of accumulated surplus(deficit) at end of year	<u>421</u>	<u>374</u>
Council's share of reserves		
Council's share of reserves at start of year	285	278
Adjustment arising from change to equity share	2	2
Transfers (to) from reserves	3	5
Council's share of reserves at end of year	<u>290</u>	<u>285</u>
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,223	1,201
Share of surplus(deficit) for year	46	11
Adjustment arising from change to equity share	11	11
Carrying value of investment at end of year	<u>1,280</u>	<u>1,223</u>
Council's share of expenditure commitments		
Operating commitments	1	20
Council's share of expenditure commitments	<u>1</u>	<u>20</u>

(Council's share of equity as per the un-audited 30 June 2020 financial statements of the Library Service)

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

6.4 Investment property

	2020 \$'000	2019 \$'000
Balance at beginning of financial year	2,854	2,851
Fair value adjustments	(270)	3
Balance at end of financial year	<u>2,584</u>	<u>2,854</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined by a qualified Valuer, Hayley Drummond AAPI, who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Macedon Ranges Shire Council is the parent entity.

Subsidiaries and Associates

Macedon Ranges Shire Council does not have any subsidiaries. Interests in associates are detailed in note 6.3.

Note 7 People and relationships (cont.)

7.1 Council and key management remuneration (cont.)

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Councillor Andrew Twaits	01/07/2019 - 30/06/2020
Councillor Bill West	01/07/2019 - 30/06/2020
Councillor Helen Radnedge	01/07/2019 - 30/06/2020
Councillor Henry Bleeck	01/07/2019 - 30/06/2020
Councillor Janet Pearce	01/07/2019 - 30/06/2020 (Mayor from 01/07/2019 - 30/06/2020)
Councillor Jennifer Anderson	01/07/2019 - 30/06/2020
Councillor Mandi Mees	01/07/2019 - 30/06/2020
Councillor Natasha Gayfer	01/07/2019 - 30/06/2020
Councillor Roger Jukes	01/07/2019 - 30/06/2020

Chief Executive Officer and other Key Management Personnel

Chief Executive Officer - Margot Stork
Director Assets & Operations - Shane Walden
Director Community Wellbeing - Karen Stevens
Director Corporate Services - John Hausler
Director Planning & Environment - Angela Hughes
Director Incident Response - Gina Lyons
Manager People, Culture & Performance - Sarah Noel

	2020	2019
	No.	No.
Total Number of Councillors	9	9
Total Number of Chief Executive Officer and other Key Management Personnel	7	8
Total Key Management Personnel	16	17

(c) Remuneration of Key Management Personnel

	2020	2019
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,547	1,465
Long-term benefits	78	142
Termination benefits	132	141
Total	1,757	1,748

	2020	2019
	No.	No.
The numbers of key management personnel whose total remuneration from Council fall within the following bands:		
\$20,000 - \$29,999	8	7
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	-	2
\$100,000 - \$109,999	1	-
\$120,000 - \$129,999	-	1
\$140,000 - \$149,999	1	-
\$170,000 - \$179,999	1	-
\$190,000 - \$199,999	-	2
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	1	1
\$270,000 - \$279,999	-	1
\$300,000 - \$309,999	-	1
\$330,000 - \$339,999	1	-
Total	15	16

The amounts above are calculated as the total remuneration, which includes salaries paid, superannuation, value of vehicles provided and any movement in provision for annual leave.

Note 7 People and relationships (cont.)

7.1 Council and key management remuneration (cont.)

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

The number of Senior Officers are shown below in their relevant income bands:

	2020	2019
	No.	No.
Less than \$151,000*	8	7
\$151,000 - \$159,999	3	3
\$160,000 - \$169,999	2	4
Total	13	14

	2020	2019
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:	1,696	1,783

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties:

- goods and services were purchased from a local supplier, Bridgestone Kyneton, owned by Councillor Jukes. The transactions amounted to \$86,899 Inc.GST (\$71,433 during 2018/19). All purchases were at arms length in the normal course of Council's operations.

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

- \$0 was owed by Council to Bridgestone Kyneton for goods and services purchased by Council at arms length in the normal course of Council's operations (\$0 as at 30 June 2019).

(c) Loans to/from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the Council to a related party (2019/20, \$0)

(d) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the Council to a related party (2019/20, \$0)

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

(a) Contingent assets

Council can claim a reimbursement of some costs associated with natural disasters. There are three claims which Council has submitted which have not as yet been approved. May 2018 storm \$61,300, November 2019 storm \$105,276 and April 2020 Storm \$148,000.

(b) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in section 9.3. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

(c) Guarantees for loans to other entities

Council has guaranteed a loan taken out by the Romsey Junior Football Club Incorporated. The original loan (and extent of possible Council exposure) was \$17,300. At balance date the outstanding balance is \$1,427.

Council has guaranteed a loan taken out by the Romsey Football Netball Club Incorporated. The original loan (and extent of possible Council exposure) was \$17,500. At balance date the outstanding balance is \$1,583.

Council has guaranteed a loan taken out by the Woodend Heskett Football Netball Club Incorporated. The original loan (and extent of possible Council exposure) was \$30,000. At balance date the outstanding balance is \$2,435.

All of the loans above relate to Club contributions to the construction of oval lighting.

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

8.2 Change in accounting standards

The following new AAS's have been issued but are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no material impact on the transactions and balances recognised in the financial statements.

Note 8 Managing uncertainties (cont.)

8.2 Change in accounting standards (cont.)

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

The Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

8.3 Financial instruments

a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

b) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has some exposure to cash flow interest rate risk through its cash and term deposits that are at market rates. Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period. Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as receivables from sporting clubs and associations. To help manage this risk council have a policy for establishing credit limits for the entities we deal with. Council will only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy. Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor category (rates) is secured by a charge over the rateable property.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset below value or may be unable to settle or recover a financial asset. To help reduce these risks Council:

- has an investment policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments; and
- monitors budget to actual performance on a regular basis.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk. There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period. With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Note 8 Managing uncertainties (cont.)

8.3 Financial instruments (cont.)

8.4 Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy. Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Note 9 Other matters

9.1 Reserves

(a) Asset revaluation reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
2020			
<i>Property</i>			
Land	93,909	4,290	98,199
Land under roads	31,587	13,090	44,677
Buildings	16,750	4,749	21,499
	142,246	22,129	164,375
<i>Infrastructure</i>			
Roads	248,975	-	248,975
Kerb and channel	11,776	(3,647)	8,129
Bridges	13,238	-	13,238
Drainage	31,980	1,011	32,991
Footpaths	3,856	(1,386)	2,470
Parks, Open Space & Streetscapes	6	-	6
Recreational, leisure and community facilities	10,834	-	10,834
	320,665	(4,022)	316,643
<i>Other assets</i>			
Cultural assets	2,491	-	2,491
Equity in North Central Goldfields Library	149	-	149
	2,640	-	2,640
Total asset revaluation reserves	465,551	18,107	483,658
2019			
<i>Property</i>			
Land	81,150	12,759	93,909
Land under roads	-	31,587	31,587
Buildings	16,750	-	16,750
	97,900	44,346	142,246
<i>Infrastructure</i>			
Roads	241,612	7,363	248,975
Kerb and channel	8,668	3,108	11,776
Bridges	13,238	-	13,238
Drainage	31,980	-	31,980
Footpaths	3,802	54	3,856
Parks, Open Space & Streetscapes	6	-	6
Recreational, leisure and community facilities	10,834	-	10,834
	310,140	10,525	320,665
<i>Other Assets</i>			
Cultural assets	2,491	-	2,491
Equity in North Central Goldfields Library	149	-	149
	2,640	-	2,640
Total asset revaluation reserves	410,680	54,871	465,551

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Note 9 Other matters (cont.)

9.1 Reserves (cont.)

(b) Other reserves

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
2020				
Asset conversion	881	-	(17)	864
Car parking*	136	-	-	136
Commercial development	3,636	-	(37)	3,599
Community facilities*	254	164	-	418
Debt repayment	3,449	700	(4,058)	91
Drainage*	392	54	-	446
Footpaths*	107	21	-	128
Gisborne development plan*	699	60	-	759
Gravel pit operations	397	148	-	545
Hanging Rock	463	149	-	612
Plant replacement	564	1,210	(1,517)	257
Public open space*	3,109	1,137	(550)	3,696
Road contributions*	261	166	-	427
Romsey development plan*	257	31	(175)	113
Senior citizens accommodation maintenance*	195	85	(27)	253
Total other reserves	14,800	3,925	(6,381)	12,344
2019				
Asset conversion	824	57	-	881
Car parking*	136	-	-	136
Commercial development	3,636	-	-	3,636
Community facilities*	270	11	(27)	254
Debt repayment	2,692	757	-	3,449
Drainage*	394	23	(25)	392
Footpaths*	122	7	(22)	107
Gisborne development plan*	590	155	(46)	699
Gravel pit operations	241	156	-	397
Hanging Rock	386	113	(36)	463
Plant replacement	1,314	1,116	(1,866)	564
Public open space*	2,198	1,491	(580)	3,109
Road contributions*	279	15	(33)	261
Romsey development plan*	81	176	-	257
Senior citizens accommodation maintenance*	188	63	(56)	195
Total other reserves	13,351	4,140	(2,691)	14,800

* Non-discretionary reserves subject to statutory requirements and/or other agreements - \$6.376m (\$5.41m 2018/19)

Note 9 Other matters (cont.)

9.1 Reserves (cont.)

(b) Other reserves (cont)

Asset conversion - net proceeds from the sale of land for capitals works projects.

Car parking - developer contributions for car parking projects.

Commercial development – net proceeds from the sale of industrial/commercial land for the purchase and development of land to be used for industrial/commercial purposes.

Community facilities - developer contributions for community infrastructure facilities.

Debt repayment - budget allocation to accumulate the required amount of funds to repay the borrowed money when it is due to be repaid.

Drainage - developer contributions for drainage works.

Footpaths - developer contributions for footpath works.

Gisborne development plan - developer contributions for capital works projects in Gisborne.

Gravel pit operations - surplus from gravel pit operations for capital works projects.

Hanging rock - surplus from Hanging Rock operations for capital works projects and operational projects.

Plant replacement – surplus from plant operations for capital replacements.

Public open space - developer contributions for open space projects.

Roads contributions - developer contributions for roads works.

Romsey development plan - developer contributions for capital works projects in Romsey.

Senior citizens accommodation maintenance – resident contributions for maintenance of units.

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

	2020	2019
	\$'000	\$'000
Surplus/(deficit) for the year	13,739	17,752
Depreciation/amortisation	14,493	14,265
Profit/(loss) on disposal of property, infrastructure, plant and equipment	182	623
Fair value adjustments for investment property	270	(3)
Contributions - non-monetary assets	(5,913)	(7,754)
Share of net profits/losses of associates	(57)	(22)
Borrowing costs	321	409
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,344)	270
(Increase)/decrease in prepayments	(76)	65
(Increase)/decrease in accrued income	(420)	52
Increase/(decrease) in trade and other payables	(267)	649
Increase/(decrease) in other liabilities	(1,315)	1,514
Increase/(decrease) in provisions	(47)	(900)
Net cash provided by/(used in) operating activities	19,566	26,920

Note 9 Other matters (cont.)

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Macedon Ranges is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa
Salary information 3.5% pa
Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at June 2020 was 104.6%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Note 9 Other matters (cont.)

Employer contributions

Regular contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Macedon Ranges makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Note 9 Other matters (cont.)

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2019 \$m	2017 \$m
A VBI surplus	151.3	69.8
A total service liability surplus	233.4	193.5
A discounted accrued benefits surplus	256.7	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

The 2020 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.5% pa for the first two years and 2.75% thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

Note 9 Other matters (cont.)

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Rate	2020 \$'000	2019 \$'000
Vision Super - defined benefits	9.5%	87	98
Vision Super - Accumulation	9.5%	1,378	1,514

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$80,000.

Note 10 Change in Accounting Policy

Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted AASB 15 Revenue from Contracts with Customers using the modified (cumulative catch up) method. Revenue for 2019 as reported under AASB 118 Revenue is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

b) AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

c) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted AASB 1058 Income of Not-for-Profit Entities using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.

d) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	2019
	\$'000
Retained earnings at 30 June 2019	637,170
Revenue adjustment - impact of AASB 15 Revenue from Contracts with Customers	-
Income Adjustment - impact of AASB 1058 Income of Not-for-Profit Entities	(1,249)
Impact of change in accounting policy - AASB 16 Leases	(312)
Retained earnings at 1 July 2019	635,609

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of AASB 16 Leases.

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

	As reported		
	30 June 2019	Adjustments	Post adoption
	\$'000	\$'000	\$'000
Assets			
Right of use assets	-	1,459	-
Grants receivable	-	(1,459)	-
	-	-	-
Liabilities			
Unearned income - operating grants	13,001	(336)	12,665
Unearned income - capital grants	6,624	(913)	5,711
Lease liability - current	-	-	-
Lease liability - non-current	-	-	-
	19,625	(1,249)	18,376